

Attachment I

Multi-Family (Rental) Unit Production – New Construction

- Any of the IDED's eleven CDBG Disaster Recovery Recipients may apply for this activity to newly construct multi-family rental dwelling units within their jurisdictions. More than one application (proposed project) may be submitted, however, applications, project-by-project, need to be submitted individually. For the expanded COG regions, this activity will only be allowed in incorporated communities within your jurisdiction. Submit your proposals to the IDED by no later than June 30, 2009.

The IDED CDBG Disaster Recovery Recipient will receive applications directly from multi-family rental property owners and/or developers. The IDED CDBG Disaster Recovery Recipient will review (and work with rental applicants on the final details of the proposal, revising as necessary) and will first approve applications locally.

The IDED Disaster Recovery Recipients will then submit these applications (in their final, complete, and locally approved form) to the IDED. The IDED will then add (by amendment) approved projects and their respective budgets into the contracts between the IDED Disaster Recovery Recipient and the IDED.

The IDED Disaster Recovery recipient that has jurisdiction over funded Multi-Family (Rental) Unit Production projects shall be involved in the administration, project delivery and oversight of the project from start to finish (including throughout the period of affordability).

- This activity is limited to newly constructed multi-family housing of **twelve units or fewer**. This activity does not include those projects for which low income housing tax credits are also sought or that comprise the financial resources of the proposed project's budget.
- Definitions:

"Affordable Rental Units" means those units contained in the mortgaged property and contained in the agreement for covenants and restrictions that are occupied by low and moderate income persons or households at any given time. Affordable rental units (in the appropriate number as described later in these guidelines under the CDBG National Objective criteria) are to be retained at all times as affordable rental units throughout the period of affordability (5 years) through income limitations of the tenants occupying those units and through rent limitations for the tenants occupying those units.

“Disaster Event” means the federally declared 2008 Iowa tornado, flood and storm events, which occurred between May 25, 2008 and August 13, 2008.

“Project” - means a site or sites together with any building or buildings located on a site or sites that are under common ownership, management, and financing and are to be assisted with CDBG Supplemental funds as a single undertaking, and includes all activities associated with the site(s) and building(s).

- *“Project Delivery Costs”* - For purposes of the CDBG Supplemental funds used for multi-family new production, all technical services related costs (also known as soft costs; carrying costs; direct administration costs; etc.) will be considered as “project delivery costs”. Project delivery costs must be considered as project costs attributable to the rental housing activity undertaken and accounted for in this manner. Overall, project delivery costs need to be reasonable and cannot exceed \$5,000 per unit. This \$5,000 per unit allowance is to be included in (added onto) the overall project development costs.
- Applicants, prior to application submission, need to determine the development team that will be involved in this activity (project by project) prior to the recipient’s proposal submission to the IDEED and will need to be able to convey the development team members and their respective roles and responsibilities in the proposed projects within the application. Development team members may include, but are not limited to:
 - Owner (or eventual owner);
 - Program administrator / overseer from start to finish, including throughout the prescribed period of affordability, if different from the owner;
 - Developer(s) and/or builder(s) of the multi-family (rental) housing;
 - Architectural / Engineering (A/E) or design services, as applicable;
 - Construction Lender(s);
 - Property Manager(s);
 - Energy Rater firm;
 - Etc.
- Applications need to be targeted at and tied to communities that lost multi-family rental housing units as a result of a disaster event (see definition). Support documentation must be included in all proposals.
- There is a maximum per unit development cost cap of \$60,000 on the CDBG Disaster Recovery funds.

- The overall maximum per unit development costs of individual rental units shall not exceed the HUD 221(d)(3) limits, all funding sources combined.
- Any and all additional costs of the project above the stated CDBG Supplemental funds limitations shall come from other financial resources. All other necessary financial resources shall be committed and secured prior to the commitment of CDBG Supplemental funds to the rental project.
- CDBG National Objective - All assisted multi-family (rental) new production projects shall meet the national objective of “Primarily benefits persons of low and moderate income – Housing”. Effectively, this means that no less than 51% of the rental units in an assisted rental project shall be occupied by persons or households whose incomes are at or below 80% of the area median income limits (LMI) by household size as established by HUD for the jurisdiction in which the rental project is located.
 - 51% of all rental units in the project (rounded up to the nearest whole number) shall be made available to and occupied by a low and moderate (LMI) tenant (e.g., in a twelve unit project, seven units shall be made available to and occupied by LMI tenants).
 - For rental projects that contain residential units of varying bedroom sizes, to the extent possible, the 51% criteria needs to be applied (i.e., a proportional share) to all sizes (number of bedrooms) of units.

Scattered site projects accomplished as a single undertaking shall take into consideration the individual properties on the various sites when determining national objective compliance (i.e., the 51% criteria).

Following the provision of CDBG Supplemental Funds assistance to a rental project, when all work has been completed and accepted and the forgivable loan and agreement for covenants and restrictions has been recorded; the 5-year term of affordability begins. It is at this juncture (initial occupancy following the provision of assistance) that the appropriate number of units in the project needs to be occupied by the appropriate number of LMI tenants and the subsequent rents limited on those units.

- Maximum (gross) rent limits on the CDBG Supplemental Funds assisted (affordable) rental units (by bedroom size) shall not exceed the most current HOME Program Fair Market Rents (HOME FMRs). Net rents must be calculated based upon the utility allowances established by the local public housing authority that has jurisdiction for the area served in which the assisted rental project is located.

- Rental property owners of CDBG Supplemental funds assisted rental projects shall agree to a five-year period of affordability in terms of tenant income restrictions (limitations) and through affordable rent limitations (controls) on all CDBG Supplemental funds assisted rental units (i.e., the affordable rental units) serving LMI tenants, maintaining the appropriate number of affordable rental units for the entire five-year period.

Long-term affordability requirements shall be secured through an agreement for covenants and restrictions that ride with the assisted rental property owner's land.

Throughout the period of affordability, assisted rental property owners shall ensure that the appropriate number of rental units remains affordable to, and are occupied by, income eligible and verified LMI tenants. All assisted rental units shall be subject to the maximum rent limitations (HOME Program FMRs, by bedroom size) applicable to all assisted rental units for the entire five-year period of affordability. The IDED's CDBG Supplemental Funds Disaster Recovery recipient will be responsible for the long-term affordability requirements and oversight for all funded new construction multi-family (rental) projects within their jurisdiction.

- Throughout the period of affordability, assisted rental property owners shall agree to periodic reporting requirements and compliance monitoring and/or inspections (for tenant incomes and rents on the affordable units, appropriate unit mix, property standards compliance, etc.).
- The CDBG Supplemental funds subsidy amount provided (not including general administration) must be secured as a mortgage lien on the assisted multi-family property.
- The CDBG Supplemental funds forgivable loan may be recorded in junior position to the principal conventional loan (if there is one), but must be recorded in senior position to any and all other funding in the project. Additionally, recipients must maintain their assistance security agreements in the above-stated recording position throughout the 5-year period.
- Form of assistance – The form of financial assistance (CDBG funds) will be a 5-year forgivable loan (non-receding), forgiven in full at the end of the five year compliance period. If the assisted rental project is sold or transferred, or converted to an alternate (non-residential) use, during the five-year period following completion and acceptance, the entire amount of the CDBG forgivable loan shall be repaid.

Upon mutual agreement and consent between the IDED, the IDED Disaster Recovery recipient and the originally assisted rental property owner; the assisted rental project may be sold or transferred, but, only if

the new purchaser agrees to continue with the terms of the forgivable loan agreement and the agreement for covenants and restrictions, to complete the remainder of the five-year affordability period (tenant income and rent limitations on 51% of the rental units).

- Newly constructed multi-family dwelling units under this activity shall not be constructed in a 100-year flood plain or within buy-out areas, known or proposed.
- All newly constructed multi-family units shall be designed and constructed in accordance with all locally adopted and enforced building codes and standards. In the absence of any locally adopted and enforced building codes or standards, the requirements of the Iowa State Building Code shall apply.
- It is the IDED's goal to utilize the CDBG Supplemental Funds in a manner that results in green-built, sustainable single-family structures. All newly constructed multi-family housing shall meet the requirements of the Iowa Green Streets Criteria.
- Lots (land) on which to construct the multi-family housing proposed need to be identified and where possible site control (not ownership) obtained, prior to application submission, and be identified (property address and legal description) within the application. This is particularly important with regard to the requirements of the Iowa Green Streets Criteria.
- Recipients (the IDED's Disaster Recovery recipients) will be allowed general administrative funds not-to-exceed two percent (2%) of the total award (calculated by considering the total of all project-related costs as ninety-eight percent of the total award).
- Recipients will be allowed "project delivery costs" in an amount not-to-exceed \$5,000 per unit. Project delivery costs include, but are not limited to:
 - Oversight / coordination of the development team members and their roles and responsibilities;
 - All architectural /engineering (A/E) or design costs;
 - Construction oversight and coordination (supervision), including green, sustainable design features;
 - Legal and accounting;
 - Construction loan financing costs;
 - Developers fees;
 - Construction contingencies;
 - Builders overhead and profit;
 - Energy rater firms involvement;

- Marketing of the project to perspective tenants;
 - Initial tenant application intake and processing; and
 - Initial income eligibility determination and verification;
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- The owner and/or the developer / builder of the newly constructed multi-family housing shall obtain their own construction financing.
 - Developers / builders will be allowed a combined developers fee and/or builders fee (overhead and profit) not-to-exceed twelve percent of the total cost of construction.